

**MINUTES
of the
FIRST MEETING
of the
TRANSPORTATION INFRASTRUCTURE REVENUE SUBCOMMITTEE**

**June 10, 2014
Room 322, State Capitol
Santa Fe**

The first meeting of the Transportation Infrastructure Revenue Subcommittee was called to order at 9:35 a.m. by Representative Roberto "Bobby" J. Gonzales, chair, on Tuesday, June 10, 2014, in Room 309 of the State Capitol.

Present

Rep. Roberto "Bobby" J. Gonzales, Chair
Sen. John Arthur Smith, Vice Chair
Rep. Ernest H. Chavez
Sen. Lee S. Cotter
Sen. Ron Griggs
Sen. Timothy M. Keller
Rep. Larry A. Larrañaga
Rep. Jane E. Powdrell-Culbert
Sen. Clemente Sanchez

Absent

Rep. Patricia A. Lundstrom

Advisory Members

Rep. Cathrynn N. Brown
Sen. Jacob R. Candelaria
Sen. Carlos R. Cisneros
Rep. Sharon Clahchischilliage
Rep. Nathan "Nate" Cote
Rep. Anna M. Crook

Sen. William H. Payne
Rep. Edward C. Sandoval
Sen. William E. Sharer

Guest Legislator

Rep. Nora Espinoza

Staff

Mark Edwards, Legislative Council Service (LCS)
Peter Kovnat, LCS
Randy Taylor, LCS

Guests

The guest list is in the meeting file.

Handouts

Handouts and other written testimony are in the meeting file.

Tuesday, June 10

Representative Gonzales began the meeting by having all subcommittee members, staff and attendees introduce themselves. He then expressed his view of the subcommittee's purpose. Given economic growth in the state and the drop in federal funding for transportation, Representative Gonzales pointed to a need for the subcommittee to develop solutions for New Mexico. He then noted that cooperation between the legislature and the executive would be required for success.

Status Report — Department of Transportation

Tom Church, secretary of transportation, began by introducing himself and his staff to the subcommittee. He then outlined his presentation: a brief overview of the Department of Transportation (DOT), where the federal government stands as far as transportation funding and the current condition of roads in New Mexico.

Secretary Church explained that the DOT, which was renamed in 2003, has shrunk throughout his 21-year career there; the department has reduced its exempt employee positions from 16 to four and has reduced its managerial positions by one-third to give more decision-making authority to rank-and-file employees. Secretary Church stated that about 80% of the DOT's personnel work on the highways themselves and that the DOT has one of best safety ratings for staff in the nation, with no deaths in three years. The department, Secretary Church estimated, has a vacancy rate of 12% to 13% and a 10% attrition rate. The DOT is using a \$7 million to \$8 million savings created by attrition and vacancies to pay a union settlement and for additional chip seal road maintenance.

Secretary Church then reviewed some of the DOT's finances. The department's fiscal year (FY) 2015 operating budget is \$862 million, with \$34.9 million in the State Road Fund. Secretary Church explained that the State Road Fund works mainly by paying for projects and then seeking reimbursement from the federal government, and because of that structure, the fund should always have a positive balance. Secretary Church added that the DOT manages three programs under the performance-based budget standard; the largest program manages federal funds. The DOT had a zero-finding audit of its programs last year but has hired a different firm this year to double-check last year's findings.

Secretary Church's next topic was the DOT's strategic plan and vision. He stressed that safety and providing safe roadways for New Mexicans is the DOT's number-one priority. To that end, he stated that the DOT has focused on infrastructure upkeep, rather than new construction. Related to that point, Secretary Church assured the subcommittee that, although bridge safety is a national concern at the moment, 96% of New Mexico bridges are either functional or above standards. The condition of highway rest areas was an area of concern highlighted by Secretary

Church. He told the subcommittee that many rest areas are 1950s-era buildings or older, and the DOT is trying to keep them functional. He noted that, faced with a similar problem, Arizona had closed its rest stops and faced a severe public backlash. He stated that the DOT is trying to avoid a similar result in New Mexico.

Secretary Church then outlined some main challenges facing the DOT. The first challenge he mentioned was the limited growth in state highway funds. Funding levels have fallen from their peak in FY 2007, and they are not expected to recover until FY 2018. Secretary Church listed several factors contributing to the low growth of funds, including:

- improved fuel efficiency in cars and trucks; the gas tax's value is projected to drop 27% due to fuel efficiency mandated by the federal corporate average fuel economy standards;
- lower vehicle miles; the boomer and millennial generations are not driving as much as their parents and grandparents did; and
- higher construction costs due to inflation.

Given these developments, Secretary Church said that the DOT is projecting that it will reach a fiscal cliff by FY 2025, unless there is major reinvestment in the State Road Fund.

In addition to the State Road Fund's challenges, Secretary Church stated that receipt of federal funds may be a growing issue. The federal Highway Trust Fund is expected to run out of reserves sometime in August. If that happens, Secretary Church said, the federal government would pay their obligations to states on a rolling basis as they receive revenue. The resulting delay in payments could be anywhere from two to six months, and if that occurs, the DOT will have to radically change the way it manages its finances. In that case, Secretary Church stated, the DOT will have to essentially shut down the road program, resulting in a loss of \$300 million to \$350 million to the state economy in the next six months.

Beyond funding concerns, Secretary Church highlighted staff recruitment and retention as an ongoing issue faced by the DOT. Remarking on the growth in the oil industry, he cited licensed commercial (CDL) drivers as a particular concern. The DOT's experience is that once it trains CDL drivers, they tend to leave for higher-paying jobs in southeast New Mexico.

As for engineering concerns, Secretary Church also elaborated on how heavy-truck traffic and the climate are affecting New Mexico roads. He stated that an increasing amount of heavy-truck traffic is battering the state's roads. Further, drought conditions are drying out the soils underneath highway infrastructure. This makes highways vulnerable to increased erosion or to shifting during episodic rain and snow events, which happened last year.

At this point, the subcommittee paused for questions. In a general discussion, the following issues were raised.

- The DOT's vacancy rate is currently around 13%, meaning there are about 250 open positions. The DOT is in the process of filling vacancies, although it has budgeted for an 11% vacancy rate and will not go lower than that this fiscal year.
- Of the DOT's \$880 million budget, \$162 million goes to debt servicing, which is 19% of the DOT's budget; \$122 million goes to federal debt servicing; and the remaining \$40 million goes to servicing the Rail Runner debt.
- A question was raised about the possibility of selling the Rail Runner. The response was that the DOT has explored the option, but it has not found a buyer.
- Given the concern about the number of suicides committed by people jumping from the Rio Grande Gorge Bridge, the DOT has studied putting up fencing and other measures to limit the ability to jump at the bridge. Unfortunately, fencing the bridge would diminish its attraction as a tourist stop and might just move jumpers to the gorge itself.
- The DOT has not examined suicide prevention with regard to the Rail Runner.

The subcommittee then focused the discussion on ideas related to bringing more funding into DOT programs. It was noted that the current gas tax was established in 1993, and the current excise tax was established in 1987. Further information developed and ideas expressed during this discussion included:

- weight-distance fees: the DOT has formed a group with the Taxation and Revenue Department, the Department of Public Safety and the Motor Transportation Division of the Department of Public Safety to ascertain how effectively these fees are being collected;
- the DOT owns 265 non-right-of-way parcels of land throughout the state. Subcommittee members suggested that the DOT look into the potential for selling the locations that are not serving the DOT's programs; and
- the policy of gas tax exemption payments was discussed, including the costs of lost revenue versus the benefits of reducing tax-exempt competition from potential additional tribal retailers.

Concluding this discussion, a subcommittee member asked Secretary Church what other states are doing to address similar transportation funding problems. The secretary gave the following examples.

- North Dakota is diverting \$100 million from its general fund to transportation over four years.
- Wyoming has raised its gas tax 10 cents a gallon.
- Oregon has begun a system of pay-for-use that tracks vehicle mileage.
- Massachusetts recently passed local or regional taxes for respective areas that require construction.

At this point, Representative Gonzales remarked that the subcommittee needed to proceed to the rest of its agenda, so he requested that Secretary Church and his staff return at a later date to complete the DOT report.

Work Plan Review

Mr. Edwards reviewed the tentative work plan for the subcommittee. He noted that the work plan has two major categories:

- (1) the current and projected transportation needs for transportation infrastructure around the state and the costs associated with it; and
- (2) the potential methods to generate funding for that infrastructure.

A general response from subcommittee members to the work plan was that it was too ambitious, given the limited time available on the subcommittee's schedule for the year. Staff was directed, to the extent possible, to concentrate presentations on various methods to provide funding for transportation. Subcommittee members expressed a need for presentations from policymakers in other states that had implemented various methods. Additionally, subcommittee members noted the value of having presentations from constituencies in need of transportation infrastructure.

Additional suggestions and issues raised by subcommittee members with regard to the work plan included:

- a need for the subcommittee to examine potentially challenging ideas, including considering raising gas and excise taxes;
- looking at temporarily diverting a portion of severance tax funds from capital outlay to the State Road Fund;
- developing a pilot research program to study how infrastructure improvements have affected local economies; and

- looking at the distribution of fuel taxes that are made to local and county road funds and whether they are functioning equitably. It was noted that residential roads in many communities are in bad shape.

It was noted that resolving the funding problem could prove challenging. To this point, a subcommittee member concluded that developing a long-term solution to the issue would be preferable to having to revisit it on a repeated basis.

Adjournment

There being no further business before the subcommittee, the meeting adjourned at 12:35 p.m.